

Oceanic Iron Ore Corp.

Unaudited Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2020 and 2019

(Stated in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Oceanic Iron Ore Corp. have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Oceanic Iron Ore Corp.

Interim Consolidated Statements of Financial Position (Unaudited)

| | <i>Notes</i> | As at March 31, 2020 | As at December 31, 2019 |
|--|--------------|-------------------------|----------------------------|
| Assets | | | |
| Current | | | |
| Cash and cash equivalents | | \$ 315,587 | \$ 422,788 |
| Receivables | | 15,824 | 20,736 |
| Prepaid expenses and deposits | | 36,975 | 5,903 |
| | | <u>368,386</u> | <u>449,427</u> |
| Mineral properties | 3 | 43,423,991 | 43,324,901 |
| | | <u>\$ 43,792,377</u> | <u>\$ 43,774,328</u> |
| Liabilities | | | |
| Current | | | |
| Accounts payable and accrued liabilities | | \$ 350,607 | \$ 279,555 |
| Due to related parties | 7 | 342,941 | 280,810 |
| Current portion of advance royalty payable | 3b | 378,148 | 369,529 |
| | | <u>1,071,696</u> | <u>929,894</u> |
| Non-current portion of advance royalty payable | 3b | 449,168 | 427,438 |
| Convertible debentures | 4 | 1,687,919 | 1,882,260 |
| | | <u>3,208,783</u> | <u>3,239,592</u> |
| Shareholders' equity | | | |
| Share capital | 5a,b | 61,101,843 | 61,101,843 |
| Contributed surplus | 5b,c,d | 10,817,953 | 10,810,683 |
| Deficit | | (31,336,202) | (31,377,790) |
| | | <u>40,583,594</u> | <u>40,534,736</u> |
| | | <u>\$ 43,792,377</u> | <u>\$ 43,774,328</u> |
| Nature of operations and going concern | 1 | | |
| Commitments | 6 | | |
| Subsequent event | 9 | | |
| Approved by the Board: | | | |
| " Steven Dean " | | Director | |
| " Gordon Keep " | | Director | |

Oceanic Iron Ore Corp.

Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) (Unaudited)

For the three months ended March 31, 2020 and 2019

| | <i>Notes</i> | Three months ended March 31, 2020 | <i>Three months ended March 31, 2019</i> |
|---|--------------|--|--|
| Expenses | | | |
| Consulting and management fees | | \$ 58,750 | \$ 58,750 |
| Directors' fees | | 7,500 | 7,500 |
| Investor relations and corporate development | | - | 270 |
| License and insurance | | 5,956 | 5,525 |
| Office and general | | 3,181 | 5,548 |
| Professional fees | | 12,602 | 4,312 |
| Rent | | 2,951 | 8,937 |
| Share-based payments | | 7,270 | 84,439 |
| Transfer agent and regulatory | | 3,621 | 4,148 |
| Wages and benefits | | 16,975 | 23,414 |
| Loss from operations | | (118,806) | (202,843) |
| Other expenses | | | |
| (loss)/gain on convertible debenture derivative liability | 4 | 216,076 | (777,281) |
| Convertible debenture accretion expense | 4 | (55,682) | (80,957) |
| Net Income (loss) and comprehensive Income (loss) for the period | | \$ 41,588 | \$ (1,061,081) |
| Income (loss) per common share - basic and diluted | | \$ 0.00 | \$ (0.02) |
| Weighted average number of common shares outstanding | | | |
| Basic | | 92,555,848 | 69,055,849 |
| Diluted | | 105,079,849 | 69,055,849 |

Oceanic Iron Ore Corp.

Interim Consolidated Statements of Changes in Equity (Unaudited) For the three months ended March 31, 2020 and 2019

| | Notes | Shares | Share Capital | Contributed surplus | Deficit | Total Equity |
|---|-------|-------------------|----------------------|----------------------------|------------------------|----------------------|
| Balance - January 1, 2020 | | 92,555,848 | \$ 61,101,843 | \$ 10,810,683 | \$ (31,377,790) | \$ 40,534,736 |
| Share-based payments - stock options | | - | - | 7,270 | - | 7,270 |
| Net income for the period | | - | - | - | 41,588 | 41,588 |
| Balance - March 31, 2020 | | 92,555,848 | \$ 61,101,843 | \$ 10,817,953 | \$ (31,336,202) | \$ 40,583,594 |
| | | Shares | Share Capital | Contributed surplus | Deficit | Total Equity |
| Balance - January 1, 2019 | | 69,055,849 | \$ 60,091,231 | \$ 10,354,193 | \$ (30,538,298) | \$ 39,907,126 |
| Share-based payments - stock options | | - | - | 56,218 | - | 56,218 |
| Share-based payments - restricted share units | | - | - | 28,221 | - | 28,221 |
| Net loss for the period | | - | - | - | (1,061,081) | (1,061,081) |
| Balance - March 31, 2019 | | 69,055,849 | \$ 60,091,231 | \$ 10,438,632 | \$ (31,599,379) | \$ 38,930,484 |

Oceanic Iron Ore Corp.

Interim Consolidated Statements of Cash Flows (Unaudited)

For the three months ended March 31, 2020 and 2019

| | <i>Notes</i> | March 31, 2020 | March 31, 2019 |
|---|--------------|-----------------------|---------------------|
| Operating activities | | | |
| Net Income (loss) for the period | | \$ 41,588 | \$ (1,061,081) |
| Adjustments for: | | | |
| Share-based payments | | 7,270 | 84,439 |
| (Gain)/loss on convertible debenture derivative liability | 4 | (216,076) | 777,281 |
| Convertible debenture interest expense | 4 | 55,682 | 80,957 |
| Net changes in non-cash working capital balances: | | | |
| Prepaid expenses and deposits | | (39,335) | (8,011) |
| Receivables | | 11,045 | 6,615 |
| Accounts payable and accrued liabilities | | 29,088 | 12,326 |
| Due to related parties | | 62,132 | 75,235 |
| | | <u>(48,606)</u> | <u>(32,240)</u> |
| Investing activities | | | |
| Mineral property expenditures | 3b | (24,648) | 9,139 |
| | | <u>(24,648)</u> | <u>9,139</u> |
| Financing activities | | | |
| Interest paid on convertible debenture | 4 | (33,947) | (54,595) |
| | | <u>(33,947)</u> | <u>(54,595)</u> |
| Change in cash during the period | | (107,201) | (77,696) |
| Cash, beginning of period | | 422,788 | 1,358,358 |
| Cash, end of period | | \$ 315,587 | \$ 1,281,812 |

Oceanic Iron Ore Corp.

Notes to the Interim Consolidated Financial Statements (Unaudited)
For the three months ended March 31, 2020 and 2019

1. NATURE OF OPERATIONS AND GOING CONCERN

Oceanic Iron Ore Corp. (“Oceanic” or the “Company”) is an exploration stage company engaged in the acquisition and exploration of iron ore properties in Québec, Canada. The Company was incorporated on March 8, 1986 under the British Columbia Business Corporations Act. The Company maintains its head office at 595 Burrard Street, Suite 3083, Vancouver, British Columbia. The Company’s registered/records office is located at 1500 – 1055 West Georgia Street, Vancouver, British Columbia. Its common shares are traded on the TSX Venture Exchange under the symbol “FEO”.

The Company acquired a 100% interest in certain mining claims (the “Property”) located near Ungava Bay, Québec, Canada in November, 2010. The Company is currently conducting exploration activity on the Property.

While these financial statements have been prepared on the basis that the Company will continue as a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events result in a material uncertainty casting significant doubt on the validity of this assumption. For the three months ended March 31, 2020, the Company reported a net income of \$41,588 and as at that date had an accumulated deficit of \$31,336,202 and a working capital deficit of \$703,310. The Company will need to raise additional funds in order to finance ongoing exploration, development and administrative expenses over the coming 12 months. The Company continues to pursue a number of options to improve its financial capacity, including securing a strategic partner to further advance the Hopes Advance project, and obtaining cash flow through other forms of financing. The success of raising such funds cannot be assured.

Factors that could affect the availability of financing include the Company’s performance, the state of international debt and equity markets which have recently been adversely impacted by uncertainty arising from the COVID-19 pandemic, investor perceptions and expectations, the retention of key executive management and the state of global financial and metals markets.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed to be inappropriate, and these adjustments could be material.

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Auditing Standard 34, Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board. These condensed interim consolidated financial statements do not include all disclosures required for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the Company’s audited annual financial statements for the year ended December 31, 2019. The accounting policies followed in these condensed interim financial statements are the same as those applied in note 4 of the Company’s audited annual financial statements for the year ended December 31, 2019.

Oceanic Iron Ore Corp.

Notes to the Interim Consolidated Financial Statements (Unaudited)
For the three months ended March 31, 2020 and 2019

2. BASIS OF PRESENTATION (continued)

COVID-19

The Company has assessed the economic impacts of the novel coronavirus (“COVID-19”) pandemic on its condensed interim consolidated financial statements, including the valuation of the Company’s derivative liability. As at March 31, 2020, management has determined that its general operation of business and the value of the Company’s liabilities are not materially impacted. In making this judgment, management has assessed various criteria including, but not limited to, existing laws, regulations, orders, disruptions and potential disruptions in commodity prices and capital markets.

These financial statements were approved by the board of directors on May 20, 2020.

3. MINERAL PROPERTIES - UNGAVA BAY

a) Acquisition costs

| | Three months ended | Year ended |
|--|---------------------------|-------------------|
| | March 31, 2020 | December 31, 2019 |
| Acquisition Costs - beginning of period | \$ 19,470,891 | \$ 19,193,453 |
| Additions during the period | | |
| Additional advance royalty payable | - | 157,254 |
| Accretion of advance royalty payable | 30,349 | 120,184 |
| Acquisition Costs - end of period | \$ 19,501,240 | \$ 19,470,891 |

b) Exploration costs

| | Three months ended | Year ended |
|---|---------------------------|-------------------|
| | March 31, 2020 | December 31, 2019 |
| Cumulative exploration costs - beginning of period | \$ 23,854,010 | \$ 23,388,259 |
| Expenditures during the period | | |
| Permitting & claims | 11,256 | 50,680 |
| Consultants | 54,025 | 403,466 |
| Equipment, supplies & rentals | 3,000 | 9,179 |
| Office and accomodation | 460 | 2,426 |
| Exploration expenditures for the period | 68,741 | 465,751 |
| Cumulative exploration costs - end of period | \$ 23,922,751 | \$ 23,854,010 |
| Grand total - mineral properties | \$ 43,423,991 | \$ 43,324,901 |

Under the terms of the acquisition of the Property, the Company must pay advance net smelter return (“NSR”) payments of \$200,000 per year until the commencement of commercial production. The aggregate advance NSR payments will then be credited against all future NSR payments payable from production. The advance NSR payments included in the purchase price represent the present value of advance payments to the royalty holders until the estimated date of commencement of commercial production.

Oceanic Iron Ore Corp.

Notes to the Interim Consolidated Financial Statements (Unaudited)
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3. MINERAL PROPERTIES - UNGAVA BAY (continued)

A 1% NSR is payable to 154619 Canada Inc. and a 1% NSR is payable to SPG Royalties Inc. ("SPG"). The Company discounted the advance NSR payments using a discount rate of 20%, representing the estimated rate of return of similar investments. The advance royalty liability will be accreted up to the date of ultimate NSR advance payment, resulting in an increase to mineral property acquisition costs and the advance royalty payable.

The total estimated future undiscounted NSR payments as at March 31, 2020 total \$1,200,000 (December 31, 2019: \$1,200,000) (Note 6). For the three months ended March 31, 2020, accretion of the advance royalty payable totaled \$30,349, (March 31, 2019 - \$26,412). At March 31, 2020, the total advance royalty payable was \$827,316 (December 31, 2019: \$796,967), with \$378,148 (December 31, 2019: \$369,529) recognized as a current liability and \$449,168 recognized as a long-term liability (December 31, 2019: \$427,438).

4. CONVERTIBLE DEBENTURES

| | Convertible debenture - 2017 Debentures | Convertible debenture - 2018 Debentures | Total |
|--|---|---|--------------------|
| Opening balance - January 1, 2019 | \$ 1,030,222 | \$ 2,029,279 | \$3,059,501 |
| Interest expense and accretion | 110,509 | 205,396 | 315,905 |
| Amortization of transaction costs | 2,759 | 28,447 | 31,206 |
| Interest payments | (64,600) | (145,978) | (210,578) |
| Settlement of convertible debenture | - | (1,087,501) | (1,087,501) |
| (Gain) loss due to fair value adjustment on derivative liability | 43,202 | (269,475) | (226,273) |
| Balance - December 31, 2019 | \$ 1,122,092 | \$ 760,168 | \$1,882,260 |
| Interest expense and accretion | 29,115 | 24,712 | 53,827 |
| Amortization of transaction costs | 806 | 1,049 | 1,855 |
| Interest payments | (16,150) | (17,797) | (33,947) |
| (Gain) due to fair value adjustment on derivative liability | (41,759) | (174,317) | (216,076) |
| Balance - March 31, 2020 | \$ 1,094,104 | \$ 593,815 | \$1,687,919 |

5. SHARE CAPITAL

a) *Share Capital*

Unlimited common and preferred shares without par value.

Oceanic Iron Ore Corp.

Notes to the Interim Consolidated Financial Statements (Unaudited)
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5. SHARE CAPITAL (continued)

b) Restricted Share Units ("RSUs")

A summary of the changes in RSUs is as follows:

| | Number of RSUs |
|--|----------------|
| Balance - January 1, 2019 | - |
| Granted | 684,157 |
| Expired | (50,000) |
| RSUs outstanding - December 31, 2019 and March 31, 2020 | 634,157 |

RSU expense for the three months ended March 31, 2020 was \$nil (March 31, 2019 - \$28,221), which was recorded within Share-based payment expense in the Statement of Income (loss) and Comprehensive Income (loss).

c) Stock options

A summary of the changes in the stock options is as follows:

| | Options | Weighted average exercise price |
|---|------------------|------------------------------------|
| Options outstanding - January 1, 2019 | 3,375,950 | 0.19 |
| Granted | 1,990,000 | 0.09 |
| Forfeited | (130,000) | 0.09 |
| Options outstanding - December 31, 2019 | 5,235,950 | \$ 0.16 |
| Forfeited | (250,000) | 0.16 |
| Options outstanding - March 31, 2020 | 4,985,950 | \$ 0.16 |
| Options exercisable - March 31, 2020 | 4,985,950 | \$ 0.16 |

Total share-based payments recognized during the three months ended March 31, 2020 was \$7,270 (March 31, 2019 - \$56,218) which was recorded within Share-based payment expense in the Statement of Income (loss) and Comprehensive Income (loss).

The following table summarizes information about stock options outstanding at March 31, 2020:

| Number of Options outstanding | Exercise Price CAD | Expiry Date | Options Exercisable |
|-------------------------------------|--------------------------|-------------------|------------------------|
| 392,350 | 0.200 | November 30, 2020 | 392,350 |
| 250,000 | 0.200 | January 5, 2021 | 250,000 |
| 30,000 | 0.200 | January 11, 2021 | 30,000 |
| 10,000 | 0.200 | April 5, 2021 | 10,000 |
| 110,600 | 0.200 | May 18, 2021 | 110,600 |
| 205,000 | 0.200 | December 16, 2021 | 205,000 |
| 183,000 | 0.200 | January 18, 2023 | 183,000 |
| 765,000 | 0.155 | November 25, 2024 | 765,000 |
| 25,000 | 0.155 | December 15, 2024 | 25,000 |
| 570,000 | 0.150 | December 2, 2025 | 570,000 |
| 835,000 | 0.250 | January 20, 2027 | 835,000 |
| 1,610,000 | 0.090 | March 19, 2029 | 1,610,000 |
| 4,985,950 | | | 4,985,950 |

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5. SHARE CAPITAL (continued)

d) Share purchase warrants

As at March 31, 2020 the Company had a total of 20,125,000 share purchase warrants outstanding with a weighted exercise price of \$0.05. 625,000 warrants expire on September 30, 2022 and 19,500,000 warrants expire on November 23, 2023.

A summary of the changes in the share purchase warrants is as follows:

| | Number | Weighted average exercise price |
|---|-------------------|------------------------------------|
| Balance - January 1, 2019 | 625,000 | 0.10 |
| Issued | 19,500,000 | 0.05 |
| Balance - December 31, 2019 and March 31, 2020 | 20,125,000 | \$ 0.05 |

6. COMMITMENTS

As part of the acquisition of the Ungava Bay mineral properties, commencing on November 30, 2011, Oceanic must pay advance net smelter royalty ("NSR") payments of \$200,000 per year, which will be credited against all future NSR payments payable from production (Note 3b).

The committed charges for the Company are as follows:

| | March 31 | NSR payments | Total commitments |
|------------|----------|--------------|----------------------|
| 2020 | \$ | 400,000 | \$ 400,000 |
| 2021 | | 200,000 | 200,000 |
| Thereafter | | 600,000 | 600,000 |
| | \$ | 1,200,000 | \$ 1,200,000 |

7. RELATED PARTY AND KEY MANAGEMENT COMPENSATION

a) Key Management Compensation

Key management includes the Company's directors, Chief Executive Officer and Chief Financial Officer Compensation awarded to key management, for the three months ended March 31, 2020 comprised the following:

| | Three months ended March 31, 2020 | Three months ended March 31, 2019 |
|-----------------------|--------------------------------------|--------------------------------------|
| Wages and benefits | \$ 15,000 | \$ 15,000 |
| Directors' fees | 7,500 | 7,500 |
| Share-based payments* | 10,593 | 75,879 |
| | \$ 33,093 | \$ 98,379 |

*Share-based payments based on Options and RSUs granted to Individuals

Oceanic Iron Ore Corp.

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For the three months ended March 31, 2020 and 2019

7. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION (continued)

b) Payments for services by related parties

During three ended March 31, 2020, the Company incurred corporate consulting fees of \$28,750 (March 31, 2019 - \$28,750), to Sirocco Advisory Services Ltd., a company controlled by a director and officer of the Company. As at March 31, 2020, the Company owed \$184,583 to Sirocco relating to unpaid consulting fees (December 31, 2019: \$153,333).

During the three ended March 31, 2020, the Company incurred corporate consulting fees of \$15,000 (March 31, 2019 - \$15,000) to Sinocan Consultant Hong Kong Ltd., a company controlled by an officer of the Company. As at March 31, 2020, the Company owed \$5,000 to Sinocan Consultant Hong Kong Ltd. (December 31, 2019 - \$nil).

As at March 31, 2020, the Company owed \$50,000 in directors' fees to certain directors of the Company (December 31, 2019 - \$42,500). As at March 31, 2020, the Company owed unpaid salaries and benefits of \$95,000 to an officer of the Company (December 31, 2019 - \$80,000).

During the three months ended March 31, 2020, the Company was charged \$5,107 on corporate overhead expenses by Artemis Gold Inc, a company with common management and directors. As at March 31, 2020, the Company owed \$10,858 to Artemis Gold Inc. (December 31, 2019: net receivable \$8,764).

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is based on available public market information or, when such information is not available, estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate credit risk. The carrying values of cash and cash equivalents, accrued interest receivable, restricted cash, accounts payable, accrued liabilities, and due to related parties approximate their fair values due to their short-term nature.

9. SUBSEQUENT EVENT

a) On April 7, 2020, the Company issued 179,998 common shares as a result of the settlement of RSUs.